

to be bought. Owing to the existence in leasehold premises of a ground-rent, the annually diminishing value, and the condition that the buildings must be restored at the expiration of the term in a reasonable state of repair (which frequently entails considerable expenditure), the investor should select freehold premises only. In no class of investments is a judicious scheme of distribution of risks—in these cases, geographical distribution—more important than here. If three or four houses in the same terrace or the same street, or even in the same neighbourhood, be bought, a decline of value in that position will affect the whole of the investments, which might prove of serious moment to the owner. A description of these contingencies need not be furnished: changes in the social condition of neighbourhoods with a consequent diminution of rental and capital value are familiar to us all: it is merely necessary to add that the possibility of these vicissitudes should be fully present to the mind, and allowed for approximately in the price, and the position advocated is enforced that an average quality of risk in the aggregate of investments should be provided by investing also partly in municipal stocks, Colonial Government Securities and other approved forms. Before these purchases are effected a Valuation will naturally be requisite, and special attention Directed to the permanent structural stability.

I should here insert a sound article of procedure which is applicable to the whole of the holdings of an investor, whether they consist of mortgages or Stock Exchange Securities, or the two combined, namely, that the total income derived from all investments and mortgages should not be treated as an income of profit to be expended or invested without reserve, but that a part of it, roughly proportioned to the character and extent of the entire investments, should be strictly regarded as of the nature of a sinking-fund—that is, of an annual sum, which, by accumulation, shall be held as a provision for restoring any losses upon the total principal which may occur from time to time. Since the most sagacious foresight cannot forecast

the changes which may and must happen in securities of the choicest nature, the investor in this way adopts an enlightened and common-sense mode of viewing his holdings,